



# San Diego City Attorney **MICHAEL J. AGUIRRE**

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## NEWS RELEASE

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### **CITY ATTORNEY'S INVESTIGATIVE REPORT ON ABUSIVE BILLING PRACTICES HIGHLIGHTS NEED FOR CHARTER REFORM TO PROTECT THE CITY AND TAXPAYERS**

**San Diego, CA:** In issuing his 16<sup>th</sup> Interim Report on the billing practices of two private consultants that charged the City over \$20 million for an investigative report, City Attorney Michael Aguirre today called for changes in the City's Charter which would protect taxpayers against such abuses. The City Attorney is proposing that the City Auditor be elected by voters, that the City Attorney's Office be granted subpoena powers to conduct more in-depth investigations, and that local communities be safeguarded by a Neighborhood Bill of Rights.

*The Report on Kroll and Willkie Farr and Gallagher Billing Practices*, presents evidence that Kroll Inc. ("Kroll") and Willkie Farr & Gallagher ("Willkie Farr") perpetrated a \$20.3 million fraud on the City of San Diego and that the fraud was allowed to continue under the governance of former Mayor Dick Murphy, former City Manager LaMont Ewell, and certain members of the current City Council.

"The evidence presented in this report supports the allegation that both companies took advantage of a City in the most dire of financial conditions," said City Attorney Aguirre. "It is the opinion of the City Attorney that the City should seek the recovery of public monies from Kroll and Willkie Farr & Gallagher using any legal means available."

Specifically, the report provides evidence that:

- Kroll and Willkie Farr failed in their professional duties to the City of San Diego to completely perform a complete and thorough investigation of all applicable federal, state and municipal laws as required by the American Institute of Certified Public Accountants;
- Kroll and Willkie Farr excluded key pieces of evidence in their analysis of various City officials' violations of federal securities laws;
- Kroll and Willkie Farr knowingly violated the billing guidelines of the City of San Diego, thereby violating the City's internal auditing control system;

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- Kroll associates charged the City of San Diego hourly rates higher than their normal billing rates;
- Kroll and Willkie Farr unnecessarily expanded the scope of their investigation in order to create a massive amount of billable work which resulted unnecessary hourly charges;
- Kroll and Willkie Farr submitted false claims to the City of San Diego by charging for meetings with local public figures which were not included in the firms' scope of work;
- City leaders permitted gross overcharging by Kroll and Willkie Farr in exchange for a report that exonerated certain City officials of any culpability in violating federal, state, and local laws;
- Willkie Farr authored the majority of the report as a defense document for the San Diego City Council, thus overstepping its contractual duties to Kroll;
- KPMG, the outside auditor, manipulated the standards of the investigation it required so as to benefit Kroll and Willkie Farr.

The City Attorney believes the evidence supporting these allegations as presented in this report provides the foundation for legal action against Kroll and Willkie Farr & Gallagher.

To view Interim Report #16, visit the [www.sandiegocityattorney.org](http://www.sandiegocityattorney.org), click "Interim Reports."

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